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ABSTRACT

Since education is big business, it should be conducted in a businesslike way. Without sound financial management, the best instructional program will fail. Several components make up a sound program of financial management. Resources are basic, and these vary from district to district. Before asking for additional support, school administrators must be sure that all available resources have been fully utilized. Enrollment must also be considered. Without good data about expected enrollment, sound financial management is impossible. Another important component is staffing. Staffing a school system is a complex matter, and its cost factor is the largest in the school budget. Careful planning is another component of sound financial management, and a budget calendar is absolutely necessary in planning. Also vital is a careful followup to ensure that various departments stay within their budgets. Federal funds are available, of course, but qualifying for federal money is a mixed blessing if a school system goes broke in the process. In conclusion, sound financial management can be summed up in one word--responsibility. (Author/JG)

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AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS

February 20, 1976 - 2:00 P.M.
Atlantic City, New Jersey

THE WORLD OF EDUCATIONAL FINANCE Clinic

The Components of Sound Financial Management - Mr. Ernest C. Grayson, Superintendent of Jefferson County (Kentucky) Public Schools, Louisville, Ky. 40218

Education is big business. Very few people will dispute that statement: in fact, I'm certain that everyone in this group today will subscribe to that. It's not easy to decide just how big the school business is. Accurate figures at the national level take time to compile. If we want to be exact, we are forced to use statistics of past years, and these do not give the specific dimensions of the education business at this point. Perhaps it's better not to know.

The upward enrollment trend is evidently reversing itself now, but expanding programs and services keep escalating school costs. Although enrollment gains peaked in 1971 with nearly 52 million students, costs for public education continue to grow. Along with additional costs created by growing enrollment, national averages show that we were spending more money per student each year. This cost rose from $439 in 1963 to $1,026 in 1973, a total increase of almost $28 billion.

We can eliminate the inflation factor by using real (or 1958) dollars, although it has not been determined just what was so real about the 1958 dollar. At any rate, using that dollar as a base, costs for public education increased nationally by $18.7 billion between 1963 and 1973, and per capita expenditures rose from $377 in 1963 to $526 per student ten years later.

Ten years from now we will be able to look back on the years from 1973 to 1983 and draw some conclusions about the current decade. I think we may find

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that Peter Drucker's prediction of 1969 was wide of mark, although it was an intriguing supposition at the time. He suggested that if trends of 1969 continued, by 1999 half of the population of the U. S. would be up front teaching, with the other half sitting and learning. Drucker didn't have his foot in his mouth: he had his tongue in his cheek; but his illustration speaks to the size of the education business.

Having begun with one platitude, let me move to another which logically follows: since education is big business, it should be conducted in a business-like way. Everyone in this group today will subscribe to that, too, if by "businesslike" we agree that efficient organization of the administration of public schools can be equated with sound business practices.

Sound financial management has always been essential to the operation of public schools. Citizens who feel that their schools are properly managed are more likely to be receptive when they consider educational programs, staff salaries, and building needs. Sound financial management is the backbone that supports the educational process.

The components of sound financial management? The buck starts here. Because a balanced school budget is a legal requirement, the school program starts here, too. Without sound financial management, the best instructional program in the world will falter and fail.

Let me list briefly some of the components that make up a sound program of financial management. Resources are basic as a beginning, and these vary from school district to school district. Resources are limited, as we all know too well. We must begin with the resources at hand, whether they are local, state or federal, and explore every possibility to be sure that they are fully explored.

As an example, let me cite an approach that showed results several years

ago in my own system. We placed special emphasis on identification of students eligible for PL 874 funds. Each year for the past several years we have found that this special attention has turned up about a thousand qualified students that otherwise might not have been listed. $10,000 may not appear to be a large sum, but this approach to resources is only an example of the kind of work that can make a difference. Before we begin to ask for additional support we must make sure that the resources available to us have been fully utilized.

Enrollment is another component that must be taken into consideration if a system is to operate on a sound financial basis. School enrollments are declining now, but this is a relatively new pattern, and one that requires some adjustment of old attitudes after the boom of the 60's. Many educators have spent most of their professional careers to date in adjusting to growth. This was sometimes a traumatic experience, as I have personal reason to assure you. One September 7,000 new students hit the Jefferson County school system.

There is a danger that planners will become accustomed to a growth pattern and be unable to adjust when the situation changes. Declining enrollments have set up a whole new ball game. Keeping informed about enrollment projections is essential if a school system is to remain solvent. Without good data about expected enrollment at least [illegible] or more years in advance, sound financial management is impossible. And that leads me to my next point: STAFFING.

Staffing a school system is a complex matter, and its cost factor the largest in the school budget. Other industries do not tie up so much of their budget in personnel, but the knowledge industry must meet special demands. I do not see any possibility in the near future that the classroom teacher will be replaced by machines of any variety. Therefore, as inflation escalates costs, salaries will rise accordingly. School administrators are in a buyer's market now because of oversupply. We should be sure we are getting the most

for our money in terms of competent, qualified staff members. Staffing at the administrative level must be carefully done to insure the best leadership that can be provided.

The "productivity" of education is rightly a concern of school patrons. They want to know what our tax dollars are buying, and we have an obligation to be sure that money is wisely spent for staff. Staff members need to be aware of district resources and live up to their professional responsibilities. Unreasonable demands can tarnish the image of the teaching profession. Unless the community is convinced that the welfare of students is at least as important to educators as their own self interest, their credibility will decline.

Recently the professional negotiations committee in our school system conducted a survey which sought to establish the concerns of teachers. Let me mention a few of the things that are on the minds of our teachers right now: class size, break periods, less teacher clerical work, use of emergency leave time at the teacher's discretion, more sick leave, increase in the salary index for experience and training; increased life insurance, the additional of dental insurance, and compensation for extra duty.

Our teachers have been working under a great deal of stress this year due to circumstances beyond anyone's control. We can appreciate their concerns, but we must look realistically at the resources available and the climate of the community. Negotiations should prove interesting, since we balanced our budget of $168 million for the current year only because of a year-end surplus last June that will not recur. Things do not look encouraging for an increase in support at the local or state level in the near future.

Our situation will call for careful planning, another component of sound financial management. A budget calendar is absolutely necessary in planning. Such a calendar keeps the budget process on the track and helps those responsible for each step to be sure that nothing has been left out or forgotten. All staff

members ought to be involved in this process if the system operates as a team. The budget calendar serves as a kind of road map. The calendar ought to be reviewed each year with the thought of improvement; it should not be simply adjusted to allow for Leap Year, for example, with no change at all in any other way.

All of us have had the experience of planning as thoroughly and competently as possible, and then finding that when the budget is complete and we have reached that often-mentioned "bottom line," that the system's resources are simply inadequate for the job we want to do. Then the district's priorities are reexamined and the budget is adjusted until it is in balance. Under ideal conditions, contingency funds are set aside for events that cannot be anticipated. Even with the best advice available it is not always possible to anticipate just how expensive certain events can be. More of this later.

One of the most difficult problems in management is the matter of getting far enough away from the day-to-day details of the operation to achieve an overview that will give perspective and direction. However, such a point of view is essential for the development of long-range goals. Otherwise the school system is like a rudderless ship, at the mercy of every passing wind.

Just as vital as the original budget planning is the follow-up that must be carried out to be sure that various departments stay within their budgeted allotment. We have programmed our computer to process checks only as long as that particular budget code will handle the checks being written. When a code is exceeded, the computer kicks out the check. At that point necessary adjustments are made. With the proper control points and reporting feedback to the appropriate department, we can live by the budget we have established and the computer will not find itself rejecting checks. We can live within our means.

As I intimated earlier, this is not a good time in the community where I live to seek additional tax funds. Jefferson County has so recently undergone

the shock of a massive court-ordered desegregation plan that very few people are in the mood to increase financial support for the public schools. In fact, there are a good many people, I'm afraid, who would like to cut back on the funds that are now available to us. It might even be the politically expedient thing to do. I don't need to convince you what a short-sighted approach this would be.

Even without such a temporary handicap, and I stress the point that I believe it is only temporary, state and local funds are limited. That leaves, of course, the federal government and the courts. In my own school system, the precarious financial situation that we find ourselves in today is a direct result of recent actions and decisions of the federal government and the courts. The merger order issued by the state and upheld by the state court of appeals led directly and inevitably to the desegregation order which came two weeks after the merger took effect, and six weeks before school was to open last fall. Costs of the desegregation order alone will exceed the $4 million mark this year and merger costs have added another $3 million.

All the planning in the world could not have prepared us for the kind of stress our school system has experienced during the past six months. The cost of security, vandalism, transportation and program equalization, hurriedly estimated, have had to be revised upward again and again as we have worked through this year. We have had to do in actuality on a day-to-day basis many things that we expected to have a year to plan. Under the circumstances, we take special pride in the accomplishment of a balanced budget for the current fiscal year, but we know that the balance is delicate, and that unanticipated costs could still arise to throw the budget out of line. And we are looking toward next year without a year-end balance in the picture to absorb the recurring costs budgeted this year for salary equalization and desegregation.

Some federal funds are available, of course. All of you are familiar with the problems of meeting deadlines for such funds and the constraints that guidelines impose. I do not subscribe to the theory that there is some foul plot afoot to put the federal government in control of our public schools. Rather, it is inevitable that federal officials will look at the needs of public education from a national perspective. This point of view is not always suitable to the needs of specific local situations.

In spite of reservations about the application of federal guidelines to our own program needs, all of us enter into the game of federal grantsmanship with all the energy at our disposal, as ambivalent as we may feel about it. Securing approval of a million-dollar project is cause for rejoicing - - almost as if the money were a windfall. Upon sober reflection, the effects of such grants can lead to ambivalent feelings about their true worth to the school system.

This ambivalence reminds me of the heroine of a limerick recently received by the president of one of Kentucky's state universities:

> There was a young woman from Kent
> Who said that she knew what it meant
> When men took her to dine,
> Bought her cocktails and wine --
> She knew what it meant, but she went.

I suggest that perhaps the time has come for the girl to say no, and that we must look at requirements for "in kind" and the eventual outcome of programs that are funded, if we really want to measure the effect of such funds on a school system. Qualifying for federal money is a mixed blessing if a school system goes broke in the process. That's the wrong kind of "bang for the buck."

Sound financial management can be summed up in one word: <u>responsibility</u>. In summary, let me point out that when we put some of the key points in order, we have a good start toward spelling out that important word:

R esources

E nrollment

S taffing

P lanning

O verview

N eeds

I could go on with the list but that might

S train

our relationship, and I was urged to keep my presentation within the time limit. I don't want to be irresponsible about that. You can add to the list on your own.

When we face up to our responsibility as public school administrators by maintaining a sound school program based on sound financial management, we will maintain our professional pride and improve our relationship with the community. Most important of all, we will provide the students in our schools with the kind of preparation they need to make it in the complex world of tomorrow.